

## Message Text

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54

ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 INT-08 SCI-06 SCEM-02

STR-08 DODE-00 PM-07 H-03 L-03 NSC-10 PA-04 PRS-01

SS-20 USIA-15 ACDA-19 IO-14 AF-10 EA-11 EUR-25 NEA-10

DRC-01 /274 W

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R 042106Z DEC 73

FM AMEMBASSY CARACAS  
TO SECSTATE WASHDC 1984

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EO 11652: NA

TAGS: ENRG VE

SUBJECT: CONTINUING CONTROVERSY OVER ROYALTY PAYMENTS

REF: CARACAS 9781

1. SINCE VENEZUELAN GOVERNMENT ANNOUNCED NOVEMBER 14 THAT AGREEMENTS HAD BEEN SIGNED WITH OIL COMPANIES TO INCREASE ROYALTY PAYMENTS IN LIEU OF REQUIRING COMPANIES TO PAY ROYALTIES IN KIND, NEWSPAPERS HERE HAVE BEEN FILLED WITH RUMORS THAT VENEZUELA WOULD NEVERTHELESS REQUIRE COMPANIES TO PAY ROYALTIES IN OIL IN ORDER THAT VENEZUELA COULD MEET NEEDS OF LATIN AMERICAN NEIGHBORS. RUMORS HAVE IN SOME CASES BEEN ATTRIBUTED TO UNNAMED SOURCES IN MINISTRY OF MINES AND HYDROCARBONS AND HAVE BEEN SUPPLEMENTED BY STATEMENTS BY COMMENTATORS, POLITICIANS AND PUBLIC FIGURES SUPPORTING CONCEPT OF ROYALTY PAYMENTS IN OIL. LATEST PUBLIC FIGURE TO COMMENT ON THIS IS REINALDO CERVINI, PRESIDENT OF PRO-VENEZUELA, WHO CALLS UPON NATION TO TAKE A HARD LOOK AT POSSIBILITY OF RECEIVING OIL ROYALTY PAYMENTS IN KIND. HE MENTIONS AS

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ADVANTAGES: POSSIBILITY OF HIGHER INCOME; HELPING LATIN AMERICAN

COUNTRIES; AND FACILITATING REFINING WITHIN VENEZUELAN BORDERS.

2. HIGH OFFICIAL OF MINISTRY OF MINES AND HYDROCARBONS ASSURED PETROLEUM ATTACHE DECEMBER 4 THAT DESPITE SPATE OF NEWSPAPER STORIES, VENEZUELAN GOVERNMENT HAS NO INTENTION OF REQUIRING PAYMENTS OF OIL ROYALTIES IN KIND PRIOR TO EXPIRATION OF LAST MONTHS AGREEMENTS WITH OIL COMPANIES. THOSE AGREEMENTS RUN FOR SIX MONTHS, BY WHICH TIME, OFFICIAL OBSERVED, MANY THINGS COULD HAVE CHANGED. AT ANY RATE, SIX MONTH PERIOD WILL GET US BEYOND WINTER HEATING SEASON.

3. MEANWHILE, PLANS TO RENDER ANY ASSISTANCE TO LATIN AMERICAN COUNTRIES, OTHER THAN THOSE WHICH HAVE BEEN TRADITIONAL CUSTOMERS OF VENEZUELA AND WHICH WILL CONTINUE TO RECEIVE FAIR, IF SOMEWHAT REDUCED ALLOCATION, DEPEND ON EXPANSION OF PRODUCTION BY CVP. THIS IN TURN DEPENDS ON CVP BEING ABLE TO ACQUIRE PIPE AND PUMPING FACILITIES TO HOOK UP WELLS WHICH HAVE BEEN COMPLETED, BUT NOT HOOKED INTO CVP SYSTZM. NATURALLY ONLY SMALL ADDITIONAL VOLUME CAN BE EXPECTED FROM THIS SOURCE.

4. AS SIDELIGHT, SAME OFFICIAL SAID THAT CVP OFFICERS ARE SO ANNOYED BY REBUFF ON ROYALTY OIL QUESTION THAT THEY ARE HARDLY SPEAKING TO OFFICIALS MINISTRY OF MINES AND HYDROCARBONS.  
MCCLINTOCK  
UNQUOTE

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## Message Attributes

**Automatic Decaptoning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PETROLEUM INDUSTRY, AGREEMENTS, ROYALTIES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 04 DEC 1973  
**Decapton Date:** 01 JAN 1960  
**Decapton Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** golinofr  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1973CARACA10357  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** n/a  
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**Legacy Key:** link1973/newtext/t19731247/aaaabirg.tel  
**Line Count:** 86  
**Locator:** TEXT ON-LINE  
**Office:** ACTION ARA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:**  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** CARACAS 9781  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** golinofr  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 30 JAN 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <30-Jan-2002 by martinjw>; APPROVED <14 FEB 2002 by golinofr>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** CONTINUING CONTROVERSY OVER ROYALTY PAYMENTS  
**TAGS:** ENRG, VE, (CERVINI, REINALDO)  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005